

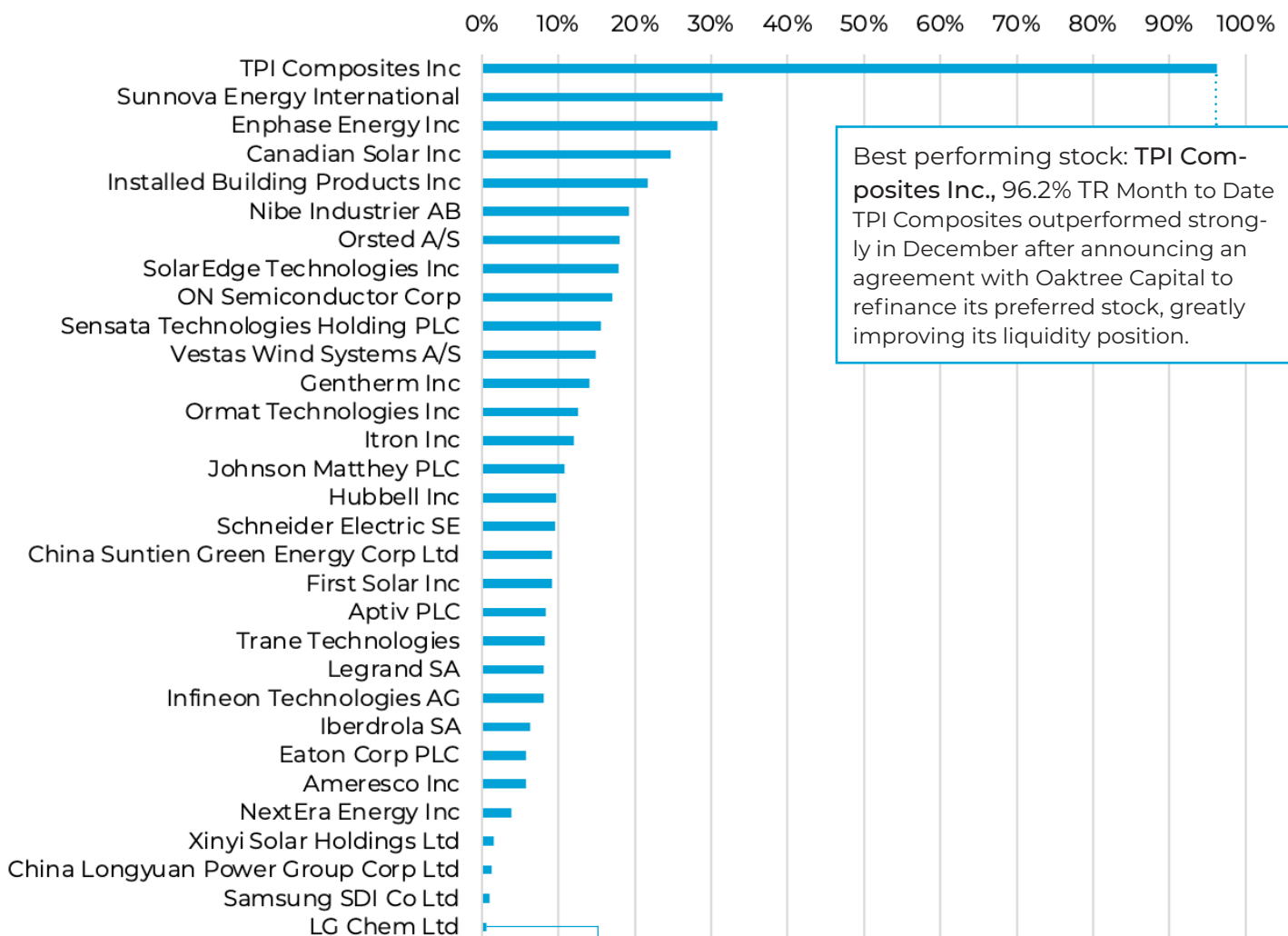


Portfolio Performance

as of 12/31/2023

SOLR outperformed its index in December, with the MSCI World Index benchmark delivering 4.91% while SOLR delivered 10.08% on NAV basis, and 9.87% on a market price basis. TPI Composites led the pack this month following the announcement of a deal with Oaktree Capital to refinance its preferred stock. Conversely, LG Chem lagged behind despite experiencing a rebound following South Korea's announcement of a \$29 billion investment plan aimed at helping battery manufacturers grow and diversify their supply chains. The sustainable energy team has compiled their much-anticipated "2024 Outlook for Sustainable Energy" and we've included a sneak peek just for you! For a full version of the report, visit us at SmartETFs.com/SOLR.

Holdings are subject to change. Go to SmartETFs.com/SOLR for current holdings.



Best performing stock: **TPI Composites Inc.**, 96.2% TR Month to Date
TPI Composites outperformed strongly in December after announcing an agreement with Oaktree Capital to refinance its preferred stock, greatly improving its liquidity position.

Worst performing stock: **LG Chem Ltd.**, 0.6% TR Month to Date
LG Chem traded flat last month. Initially, the stock experienced a decline following reports that GM sought up to 85% of US electric vehicle tax benefits. However, it later recovered upon the announcement that South Korea plans to allocate \$29 billion in support to battery manufacturers, aiding them in diversifying their supply chains.

SOLR

The SmartETFs Sustainable Energy II ETF

January 2024 Update



SmartETFs

Portfolio Performance

As of 12/31/2023	1 Month	YTD	1 Year	3 Years	Since Inception (11/11/20)
SOLR at NAV	10.08%	-0.95%	-0.95%	-0.85%	4.66%
SOLR at Market Price	9.87%	-0.81%	-0.81%	-0.84%	5.42%
MSCI World NR	4.91%	23.79%	23.79%	7.27%	9.14%

Expense Ratio: 0.79% (net) | 3.29% (gross)

The Adviser has contractually agreed to reduce its fees and/or pay ETF expenses in order to limit the Fund's total annual operating expenses to 0.79% through June 30, 2026.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting [SmartETFs.com](https://www.smartetfs.com), or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.



2024 Outlook for Sustainable Energy

Below is an executive summary of our “2024 Outlook for Sustainable Energy”.
For the full report, visit us at SmartETFs.com/SOLR

Energy efficiency, energy security, and access to critical material supply chains were the key drivers of the energy transition in 2023. A rapid increase in interest rates together with sluggish inflation negatively impacted the energy transition economics, but 2023 activity in solar, electric vehicles, batteries and energy efficiency all came in ahead of our expectations. Some clarity was provided around key policy initiatives, but we expect more to come in 2024, spurring further growth in investment and activity. With renewable energy generation continuing to be relatively more economic than fossil fuels, we see the sector representing an attractive long-term growth opportunity. Our portfolio, which offers broad exposure to companies that are well placed to benefit from the energy transition, now trades at a discount to the MSCI World Index despite offering more than double the earnings growth potential.

After a year of highly accommodative fiscal policy in 2022, the dominant driver for 2023 became tightening monetary policy. A rapid rise in interest rates together with pockets of sluggish inflation led the economics of renewable projects to suffer relative to competing fossil fuel alternatives but, post these factors, we find that renewable energy generation continues to be relatively more economic than fossil fuels. Better relative economics as well as security of supply considerations will help to sustain strong demand for sustainable energy activities during and will keep the long-term driver of renewables adoption intact.

Much of the key policy support for the energy transition in 2023 was enacted with a focus on improved energy efficiency, energy security and access to critical material supply chains, including the following:

- Further details were provided in Europe about how the bloc will achieve carbon neutrality by 2050, including a 55% cut to emissions, 13% lower final energy consumption, and 45% renewables in the energy mix by 2030.
- In the United States there was a meaningful surge in activity thanks to the Inflation Reduction Act (IRA), with \$369bn of tax breaks morphing into \$1.6 trillion of capital being mobilized towards achieving net zero aims. According to the World Economic Forum, this will create over 170,000 jobs and more than 9 million jobs over the next decade. Additionally, with 2024 being an election year, 80-90% of these new jobs are within Republican states.
- From a global perspective, 123 countries signed up to the Global Renewables and Energy Efficiency Pledge at COP28, committing to deep emissions reductions by 2030, requiring a tripling of global installed renewable energy capacity and a doubling of the rate of annual energy efficiency improvements.

continued on following page...



2024 Outlook for Sustainable Energy (continued)

Around 520 gigawatts (GW) of new renewable generation capacity was installed in 2023, 100GW higher than the record installations seen in 2022 and well over double the 194GW installed pre-COVID in 2019. Solar was dominant (at just over 400 GW) with wind in second place (around 100 GW) followed by hydro-power, then bioenergy. Renewable electricity generation in 2023 increased by around 2.5%, reaching over 9,200 terrawatt-hour (TWh), and outpacing global electricity demand (estimated 1% growth in 2023).

Electric vehicles saw continued adoption in 2023, albeit at a slower pace than seen in recent years. After growing at over 100% and over 50% in 2021 and 2022, sales of plug-in vehicles grew by around 35% in 2023 to around 14 million units, representing an 18% penetration rate. After increasing in 2022, lithium-ion battery pack costs fell by 14% in 2023 to \$139/kWh, driven by lithium and nickel prices that fell by 80% and 40% respectively.

The solar industry grew rapidly in 2023, with installations likely to have exceeded 400 GW for the full year (up tenfold over the last decade and 65% higher than 2022). This is materially ahead of our prior 2023 expectation of 310 GW and will represent the fastest annual growth rate since 2010 (following several years of 20%+ annual growth).

The wind industry returned to growth and is likely to have delivered record installations in excess of 100 GW, despite high-profile company profitability and growth concerns.

The onshore wind sector is likely to have delivered 91GW, with China accounting for 60% of the total and nearly 90% of the year-on-year growth. Offshore wind installations are likely to have reached 12GW (also led heavily by China) with clear policy support for the struggling industry at the end of the year.

Against this backdrop, the SmartETFs Sustainable Energy II ETF delivered a total return of -0.95% in 2023 on a NAV basis, and -0.81% on a market price basis vs its benchmark the MSCI World Index (net return) of 23.79%. For comparison, the MSCI Alternative Energy Index was down by -25.2%. The underperformance of the Fund resulted almost entirely from multiple compression rather than earnings downgrades, with the Fund trading at a one year forward price/earnings (P/E) discount of 6% to the MSCI World Index at the end of the year. Since repositioning five years ago, the Fund has delivered a return in excess of its investment universe, based on an equal weighted average calculation.

Looking ahead to 2024 and beyond, we expect further acceleration of the transition:

Renewable power generation is expected to grow at around 7-8%, displacing some coal and gas power, which would result in the electricity sector's CO2 emissions declining. Grid investment will increase to support the growth, growing at twice its historic rate from \$300bn in 2022 to over \$800bn per annum (pa) in the 2040s.

continued on following page...



2024 Outlook for Sustainable Energy (continued)

Building efficiency and electrification will see sharply greater investment, increasing from \$340bn in 2022 to \$600bn pa from 2026-30 (10% pa growth versus a historic rate of 5%pa) driven by energy security, economics and tightening building standards.

EV sales should exceed 16 million in 2024, representing around 20% of total passenger vehicle sales and coming in one year earlier than our long-held target of 20% EV penetration by 2025. Improved economics (lower lithium-ion battery prices in 2024) as well as better range and quicker charging times are the key drivers of improved EV sales. We expect the EV/ICE economic parity benchmark for EVs versus internal combustion engine vehicles (ICEs) of \$100/kWh battery prices to come in 2027.

Solar remains the cheapest form of new electricity supply. We expect record low module prices at the end of 2023 to spur growth in all major geographies, with full-year global installations likely topping 500GW in 2024. China will still represent more than half of all installations with European and US solar demand set to rise to 70GW and 38GW respectively.

Global **wind** installations will grow in 2024 to a new record of 115GW, driven by policy support in China, Europe, and the US. Beyond 2025 many of the current bottlenecks will dissipate, allowing installations to grow to around 170GW, a growth rate of 7% pa. Offshore installations are set to grow to 40GW by 2030, a 20% pa growth rate.

The outlook we summarize here is broadly consistent with current government activity and observable investment plans. To be clear, however, the growth described falls well short of the energy transition activity needed to achieve a **net zero /1.5 degree scenario** in 2050, as targeted by the IPCC and reiterated at COP28. In a net zero scenario, the deployment of renewable generation capacity, penetration of EVs and battery storage, use of alternative fuels and implementation of energy efficiency measures will need to accelerate markedly.











We expect further positive catalysts in the year ahead. The sector would be a beneficiary of looser monetary policy and lower inflation, while higher fossil fuel prices would further improve the relative economics of renewable technologies. In terms of policy, further clarity around IRA tax credits and actions related to the EU Net Zero Industrial Act will help to bring greater investment into the sector. We expect investor interest in sustainable energy equities to recover in 2024, reflecting these catalysts, and that the current attractive valuation level will act as a further catalyst. Beyond these, the continuing importance of energy security and the increased individual, social and government pressures for consumers to become more energy efficient and for producers to increase their share of sustainable energy generation will support further growth in the sector. We believe that the SmartETFs Sustainable Energy portfolio of 30 broadly equally weighted positions, chosen from our universe of around 250 companies, provides concentrated

continued on following page...

2024 Outlook for Sustainable Energy (continued)

exposure to the theme at attractive valuation levels that are particularly attractive relative to consensus earnings growth expectations.

Key Themes in the SmartETFs Sustainable Energy Portfolio

Theme	Example Holdings	Weighting (%)
1 Electrification of the energy mix	 	25.2%
2 Rise of the electric vehicle and auto efficiency	 	21.2%
3 Battery manufacturing		7.3%
4 Expansion of the wind industry		10.1%
5 Expansion of the solar industry		13.3%
6 Heating, lighting and power efficiency	 	15.3%
7 Geothermal		3.3%
8 Other (inc cash)		4.2%

Source: SmartETFs. Data as of December 31, 2023

Want more? Check out the full
"2024 Outlook for Sustainable Energy" at SmartETFs.com/SOLR

There's more where that came from!

Join our newsletter at SmartETFs.co/newsletter or follow us on Twitter [@SmartETFs!](https://twitter.com/SmartETFs)

SOLR

The SmartETFs Sustainable Energy II ETF

January 2024 Update



SmartETFs

Disclosure

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,583 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Earnings per Share is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

Investing involves risk, including possible loss of principal.

The Fund's focus on the energy sector exposes it to greater market risk than if its assets were diversified among various sectors. Sustainable energy businesses are subject to various industry risks such as rapid and evolving changes in technology, demand for energy and economic factors as well as governmental policies and regulations. The Fund may invest in multiple countries including emerging markets and international companies which involves different and additional political, social, legal and regulatory risks. The global interconnectivity of industries and companies can be negatively impacted by economic uncertainties, environmental conditions and global pandemics or crises. These events can contribute to volatility, valuation and liquidity issues which could cause the value of the Fund to decline.

Consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a prospectus or summary prospectus with this and other information, please call (866) 307-5990 or visit our website at www.SmartETFs.com. Read the prospectus or summary prospectus carefully before investing.

Shares of the Fund are distributed by Foreside Fund Services, LLC.